



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
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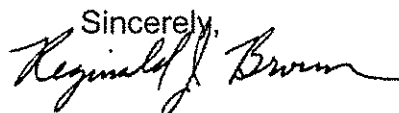
10 SEP 2004

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Department of the Army is pleased to submit the enclosed report on the "Pilot Manpower Reporting System" as required by Fiscal Year 2002, Section 345 Public Law 107-107. This report provides estimates for contract work year equivalents for Fiscal Year 2003.

This is the third report required by Section 345. The Army is still operating under the constraints of Section 345, and is still unable to provide greater accuracy to its estimates, which range from 169,000 Work Year Equivalents (WYEs) to about 659,000 WYEs. The lack of specificity in this estimate is due to the limitations of existing accounting and procurement systems whose primary purposes are to track obligations, disbursements and procurement activity rather than depicting how much (and where) contract labor is performed. As in previous years, the constraints of Section 345 have hindered the Army's ability to obtain reliable contract work year data or to identify the organizational units supported by contractors. As of this third report required by section 345, the Army has obtained approval from the Office of Management and Budget under the Paperwork Reduction Act, and is finalizing implementation guidance to collect the data required by Section 345.

Sincerely,


Reginald J. Brown
Assistant Secretary of the Army
(Manpower and Reserve Affairs)

Enclosure

DEPARTMENT OF ARMY REPORT PILOT MANPOWER REPORTING SYSTEM

This report includes estimates of the number of work year equivalents (WYE) provided by non-Federal entities to the Department of the Army, in terms of Federal Supply Class or Service Code, appropriation, and major organizational element.

REPORTING REQUIREMENT

The reporting requirement in section 345 of the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-194, states the following:

SEC. 345. PILOT MANPOWER REPORTING SYSTEM IN DEPARTMENT OF THE ARMY.

- (a) Annual Reporting Requirement.—Not later than March 1 of each of the fiscal years 2002 through 2004, the Secretary of the Army shall submit to Congress a report describing the use during the previous fiscal year of non-Federal entities to provide services to the Department of the Army.
- (b) Content of Report.—Using information available from existing data collection and reporting systems available to the Department of the Army and the non-Federal entities referred to in subsection (a), the report shall—
 - (1) specify the number of work year equivalents performed by individuals employed by non-Federal entities in providing services to the Department;
 - (2) categorize the information by Federal Supply Class or Service Code; and
 - (3) indicate the appropriation from which the services were funded and the major organizational element of the Department procuring the services.
- (c) Limitation On Requirement for Non-Federal Entities To Provide Information.—For the purposes of meeting the requirements set forth in subsection (b), the Secretary of the Army may not require the provision of information beyond the information that is currently provided to the Department of the Army by the non-Federal entities referred to in subsection (a), except for the number of work year equivalents associated with Department of the Army contracts, identified by contract number, to the extent this information is available to the contractor from existing data collection systems.

- (d) Repeal of Obsolete Reporting Requirement.—Section 343 of the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65, 13 Stat. 569) is repealed.

INTRODUCTION

The Department of the Army submitted its first report required by section 345 on April 12, 2002 and its second report on May 6, 2003. In both submissions, the Army was unable to provide specific estimates of the work year equivalents provided by contractors to the Army. Therefore, the Army provided estimates within a broad range of work year equivalents (WYE) that highlight the inaccuracy of estimates constrained by the limits of existing accounting and procurement systems whose primary purposes are to track obligations, disbursements and contracting activity rather than depicting how much (and where) contract work is actually performed. The estimates ranged from 124,000 to 605,000 work year equivalents in FY02 and from 144,000 to 562,000 WYEs in FY03. In these prior submissions, the Army explained why it was a practical impossibility to provide the requested information using the internal Army data systems. Finally, the Army elaborated on the various reasons why obtaining more definitive information that identified contract support in relation to organizations supported and missions performed is important to improved Army decision-making and stewardship of public resources.

This third report, required by section 345, is also constrained by the same issues that confronted the Army in its two previous reports. What has changed however is that the Army has obtained approval from Office of Management and Budget, under the Paperwork Reduction Act, to initiate a contract manpower reporting pilot system. The pilot is expected to provide, over time, a systematic business process for obtaining the complete picture of Army's reliance on contract support to perform its missions. Additionally, this pilot would provide a systematic process for counting contractor personnel supporting operations in theater, which we are currently unable to do except in the case of the LOGCAP contract.

METHODOLOGY AND CONSTRAINTS

Currently the methodology for estimating contractor WYEs requires dividing an assumed dollar per WYE into a dollar base line for contracted services (the dollar baseline is extracted from the Department's various procurement or accounting systems). Based on obligation data in the Army's financial accounting systems, the Army estimates a range from a low of \$46,000 to a high of \$179,000 per WYE. It is recognized that the dollar per WYE assumptions are primarily speculative because they are not grounded in statistically random samples that have been stratified to avoid bias favoring different mixes of services. Nevertheless, they are the best assumptions available at this time.

RESPONSE TO REQUIREMENTS

Requirement (1). Specify the number of work year equivalents performed by individuals employed by non-Federal entities in providing services to the Department.

For contracted services, the Department of the Army estimates contractors provide from between 169,000 WYEs to about 659,000 WYEs based on obligation data in Defense Financial Accounting Systems. At this time, there is no statistically credible basis for estimating a more specific number than the range specified. Until we get the pilot data, we will be unable to have a credible basis for presenting a more specific number than a range. We have different dollar baselines, depending on whether we use procurement systems, vendor pay systems or other accounting systems as our source for dollars. We have different dollar per WYE assumptions depending on whether the resources identified in these various systems are primarily for labor or if they also include significant charges for other direct costs or other charges not directly related to labor. Moreover, the magnitude of an estimated WYE level is very sensitive to the mix of services within the dollar baseline.

Requirement (2). Categorize the information by Federal Supply Class or Service Code.

The following table displays the estimated range in WYEs categorized by Federal Supply Class or Service category, and displays the dollar baseline from which these WYEs were estimated. Note that the dollar baseline of about \$37 billion from the procurement system yields a different range in estimated WYEs than the dollar baseline of \$30 billion from the accounting system. We are unable to characterize the functions performed by contractors using Federal Supply Class or Service Codes in the case of data extracted from the accounting system, as Federal Supply Class or Service Code are only identified in the procurement systems and do not directly track to the service accounting systems.

ARMY PROCUREMENT DATA SYSTEM AWARDS BY ARMY

Federal Supply or Service Code Categories	FEDERAL PROCUREMENT DATA SYSTEM AWARDS BY ARMY CONTRACTING ACTIVITY (\$K)	WYE Estimate Contract Labor Low Range	WYE Estimate Contract Labor High Range
A-Research & Development	\$6,979,239	38,990	151,723
B-Special Studies	\$456,383	2,550	9,921
C-Architect & Engineering Services	\$491,719	2,747	10,690
D-Information Technology	\$1,285,900	7,184	27,954
F-Natural Resources & Conservation Services	\$990,236	5,532	21,527
G-Social Services	\$13,167	74	286
H-Quality Control, Testing, & Inspection Services	\$32,239	180	701
J-Maintenance, Repair, & Rebuilding of Equipment	\$950,887	5,312	20,671
K-Modification of Equipment	\$11,952	67	260
L-Technical Representative Services	\$117,866	658	2,562
M-Operation of Government-Owned Facilities	\$370,970	2,072	8,065
N-Installation of Equipment	\$43,555	243	947
P-Salvage Services	\$40,660	227	884
Q-Medical Services	\$1,044,567	5,836	22,708
R-Professional, Administrative & Management Support Services	\$4,824,160	26,951	104,873
S1-Utilities	\$568,107	3,174	12,350
S2-Housekeeping Services	\$856,131	4,783	18,612
T-Photographic, Mapping, Printing & Publication Services	\$33,457	187	727
U-Educational & Training Services	\$336,629	1,881	7,318
V-Transportation, Travel & Relocation Services	\$756,614	4,227	16,448
W-Lease or Rental of Equipment	\$80,342	449	1,747
X-Lease or Rental of Facilities	\$12,642	71	275
Y-Construction of Structures & Facilities	\$4,312,576	24,093	93,752
Z-Maintenance, Repair or Alteration of Real Property	\$1,888,711	10,551	41,059
FEDERAL PROCUREMENT DATA SYSTEM	\$26,498,707	148,037	576,059
ACCOUNTING SYSTEM OBLIGATIONS	\$25,900,000	144,000	562,000

This last table displays the estimated range of WYEs, by Major Army Command, and displays the dollar baseline from which these WYEs were estimated, based on dollars obligated for contracted services and reported to the Defense Finance and Accounting System. We are currently unable to identify major organizational elements below the Major Command level elements specified in the table below because of the constraints of the existing accounting and procurement systems which were previously discussed.

MAJOR ARMY COMMAND	TOTAL VALUE (\$K)	WYE LOW RANGE	WYE HIGH RANGE
FY03 TOTAL MACOM OBLIGATIONS AND ESTIMATED CONTRACT LABOR*	\$30,316,476	169,366	659,054

8 ARMY	\$122,860	2671	686
ARMY ACQUISITION EXECUTIVE AGENCY	\$159,083	3458	889
ARMY MATERIEL COMMAND	\$3,913,569	85078	21864
ARMY RESERVE	\$551,430	11988	3081
ATEC	\$669,764	14560	3742
CORP OF ENGINEERS	\$3,377,096	73415	18866
CRIMINAL INVESTIGATION COMMAND	\$15,073	328	84
FORSCOM	\$4,940,762	107408	27602
HQDA	\$2,336,437	50792	13053
JOINT	\$140,244	3049	783
MEDICAL COMMAND	\$259,078	5632	1447
MILITARY DISTRICT OF WASH	\$220,183	4787	1230
MILITARY TRAFFIC MANAGEMENT COMMAND	\$3,476	76	19
NATIONAL GUARD	\$1,182,154	25699	6604
OTHER SERVICES	\$3,040,125	66090	16984
PACIFIC COMMAND	\$318,425	6922	1779
PEO-PM	\$4,910,890	106758	27435
SPECIAL OPERATIONS COMMAND	\$241,261	5245	1348
TRADOC	\$1,596,427	34705	8919
USA EUROPE	\$883,154	19199	4934
USA INTELLIGENCE & SECURITY COMMAND	\$583,288	12680	3259
USA SOUTH	\$176,613	3839	987
USA SPACE	\$400,791	8713	2239
USAREC	\$202,718	4407	1133
USMA	\$71,575	1556	400